

# **W-2 Achievements and Challenges: An Overview and Interpretation of the *White Papers* Commissioned by the Department of Workforce Development**

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Welfare reform is at a crossroads. Since the passage of the 1996 welfare reform bill, policy control of welfare assistance has shifted from Washington to the states. No state has taken up this charge more aggressively than Wisconsin, with its much-heralded program Wisconsin Works, better known as W-2. As the year 2001 unfolds, the dialogues about reauthorizing the federal welfare reform program, Temporary Assistance for Needy Families (TANF), at the national level and W-2 at the state level will soon be engaged.

In short, this is an ideal time to reflect on achievements and challenges. The first stage of reform appears to have exceeded initial expectations. Dependency on cash welfare assistance has fallen precipitously and the labor force participation of the caretakers in low-income families has risen. These outcomes are discussed in greater detail below.

But welfare reform is not an event, nor a single piece of legislation. If smaller cash caseloads were the ultimate litmus test, success would have been guaranteed by merely ending the old AFDC program. Success is more nuanced than that; for those touched by the program, it encompasses improved economic well-being through work, nurturing functioning families, and raising children capable of contributing to society.

Reform, therefore, is more appropriately thought of as an unfolding revolution, with important challenges remaining. In anticipation, the Department of Workforce Development (DWD) commissioned several *white papers* (see box). In this folder, we include Executive Summaries for the *white papers*; the full reports are available on the DWD web site. Taken as a whole, these papers address the following challenges:

- *What has happened since the implementation of W-2? Who is being served? How does Wisconsin define a case and measure success? How can the state reshape the infrastructure of W-2 to address the challenges that lie ahead?*
- *What should Wisconsin do with those who cannot fully support their families through work in the private labor market, despite their best efforts?*

## **White Paper Series**

*What Is a "Case" in Postreform Wisconsin?  
Reconciling Caseload with Workload*  
Rebecca J. Swartz, Hudson Institute

*Wisconsin Works: Meeting the Needs of  
Harder to Serve Populations*  
Kelly S. Mikelson, Urban Institute

*Toward Work Stability and Career  
Advancement—The Next Stage of Reform*  
Thomas Corbett and Rachel Weber, IRP

*Noncustodial Parents: Where Are We  
Going?*  
Jay Hein, Hudson Institute

*Moving Toward a Prevention Perspective\**  
Rebecca J. Swartz, Hudson Institute,  
and Thomas Corbett, IRP

- *How can Wisconsin complete the shift from an income support system to a work support system—from policies designed to get people into a job to a focus on helping low-income families succeed in the labor market?*
- *What role does a healthy and well-functioning family play in a work-based social assistance strategy and how can Wisconsin help promote such families?*
- *What can Wisconsin do now to prevent future problems and help raise productive workers and functioning families for the next generation?*

## Success in the First Stage of Welfare Reform

Wisconsin has met the first challenge of welfare reform—more low-income single parents are working than ever before and reliance on cash assistance has declined dramatically.

Because the cash assistance caseload is the easiest indicator to gauge, most policy experts, politicians, and reporters have focused on it. By this rather limited measure, Wisconsin is a huge success. The number of families with adult recipients receiving cash assistance (i.e., the official W-2 caseload) has declined by 89 percent since 1995.

But Wisconsin also appears to be doing well according to more critical indicators. From 1997 to 1999, the employment rate for single parents in Wisconsin increased from 77 percent to 80 percent and the poverty rate for single-parent families declined from 30 percent to 25 percent. A forthcoming national study indicates that the employment picture for former welfare recipients may be even more optimistic. This study found a 20 percent upturn in the labor force participation rate of mothers with recent welfare histories between 1995 and 1999. The Wisconsin experience is likely to be similar, since research on those who have left the welfare rolls in Wisconsin shows that the state has employment and wage rates for leavers that are higher than the national average.

Wisconsin's record in reducing dependence on cash assistance and improved employment rates for low-income single parents is not coincidental. Rather, it reflects a transformation in the culture and purpose of what had been the welfare office in this state. AFDC was first and foremost an income-transfer program whose main goal was to provide accurate and efficient cash grants. Focused on income support, the welfare system under AFDC provided only limited assistance to low-income workers and exempted most recipients from any work requirements. The program was process- and rule-oriented, not outcome-driven. In fact, the AFDC manuals provided a "logic flow" for case managers—if the situation is A, you must do X; if the situation is B, you must do Y. This left local agencies with little discretion.

In contrast, Wisconsin's TANF program—Wisconsin Works—was built as a work support program whose main goal is to help Wisconsin families reach self-sufficiency through work. Parents who can work are eligible for important supports like child care subsidies, greater access to health insurance through the BadgerCare program,

**Welfare dependence is down:** 89% cash caseload decline since 1995

**Employment is up:** employment rate for single parents increased from 77% in 1997 to 80% in 1999

**Poverty is down:** poverty rate for single-parent families decreased from 30% in 1997 to 25% in 1999

AFDC	⇒	W-2
Focus on benefits	⇒	Focus on behavior
Limited purposes	⇒	Multiple purposes
Rule-oriented	⇒	Professional orientation
Data-oriented	⇒	People-oriented
Limited target populations	⇒	Broader target populations
Treating all participants alike	⇒	Personalized treatment
Short-term focus	⇒	Long-term focus
Process-oriented	⇒	Outcome-oriented
Static operations	⇒	Dynamic operations

case management services, and food stamps. Parents who are not ready for the private labor market are eligible for cash assistance, but only if they participate in activities that prepare them for employment. In fact, Wisconsin has one of the highest TANF participation rates: 87 percent of its TANF cash assistance caseload are participating in work activities, compared to a national average of 42 percent.

Along with a new program purpose came changes to the delivery system and new ways of thinking about the system's process of governance. As a state, Wisconsin raised expectations for the welfare system, from providing benefits accurately to helping families become economically self-sufficient. These new expectations shifted the measure of success from an efficient bureaucratic *process* to effective agency *outcomes*. As is often the case in public policy, success in meeting initial goals provides an opportunity to both acknowledge and pursue a more ambitious agenda. The *white papers* commissioned by DWD lay out those emerging challenges.

## Defining Emerging Challenges

Two themes run through the *white papers*: (1) reform is a process in which all key stakeholders must continually adapt to new challenges; and (2) reform is not envisaged merely as changing a program or creating a new policy. It is, rather, a process of developing new strategies to engage whole communities in creating coherent and integrated social assistance programs that will help low-income families succeed both in the workplace and as functioning families. This continuing problem-solving process starts with "getting the questions right." The *white papers* point the way toward articulating the right questions.

### ***Reconciling Workload with Caseload***

The *white paper* by Rebecca Swartz grounds future discussions of reform by providing a better understanding of the policy transformations occurring around us today. In effect, she argues that change has occurred so fast that Wisconsin cannot adequately count or describe the families and individuals who are served through W-2 and related programs. And if Wisconsin does not do that well, the consequences might well be dramatic. As reauthorization proceeds at the state and national levels, it will be tempting for some to argue that because official caseloads are down, the resources needed are smaller. But there is growing evidence that a fundamental disconnect exists between the concepts of caseload and workload. Policymakers are just beginning to appreciate how many families W-2 and related programs touch.

Rethinking who is served has many potential benefits.

- *Redefining caseload will help define and articulate the state's priorities and efforts.*
- *A better definition of caseload is important for evaluating the performance of W-2 agencies across the state.*
- *A better definition of caseload will also help the legislature assess needs and accomplishments.*
- *The same information is needed at the federal level, where the stakes are even higher. With TANF up for reauthorization in 2002, states need to demonstrate that federal resources have been put to good use or risk losing those resources.*

A convenient way to conceptualize issues of workload is to consider a camera. A close-up focus on a segment of the remaining W-2 cases (and those now coming onto W-2) reveals families that often require an intensity of involvement scarcely imagined under the old welfare regime. At the same time, a wide-angle lens reveals a broad segment of low-income families that may need access to help from time to time to function well as workers and parents. The remaining *white papers* explore this theme of variable populations of interest.

### ***Leaving No One Behind***

From the paper by Kelly Mikelson, the reader learns that a small but nontrivial portion of the remaining W-2 population possesses several obstacles to self-sufficiency. Work may well be a realistic goal for most; but for some, full-time, family-supporting work may not be easily accomplished. These parents may have trouble transitioning off assistance before their 24-month time limit expires. A review of all cases reaching this time limit showed that most families in fact leave assistance before they hit the time limit. Of those who requested and

received an extension to the limit, the vast majority faced multiple barriers to self-sufficiency, including depression, various physical problems, and a lack of skills and education. Those who hit their time limit and received an extension were three times more likely than comparable families without an extension to have a disabled person in their assistance group. In addition, many clients with an extension were also seeking services through other programs such as SSI/SSDI and the Division of Vocational Rehabilitation.

To serve these families, Wisconsin maintains that fine balance between being realistic about the very compelling limitations in some families and its commitment to expecting the highest level of employment participation possible. This may suggest that there is a need for more links with programs that have extensive experience with physically and mentally challenged individuals.

### ***The First Job Is Just the Start***

Earlier theories on welfare and work took a simplistic approach—people chose either welfare or work. Once on welfare, they stayed on welfare; once off welfare, they became self-sufficient. Research and experience have enriched our understanding of the interaction between welfare use and work in the low-wage labor market. Work is still the best route out of poverty: the poverty rate for families headed by a full-time worker is about 10 percent, and that for families without a worker is 75 percent. But policymakers now know that the road to work is not a direct route. Life in the low-wage labor market is tenuous and uncertain.

There is an overarching principle that leaving welfare is not an event about getting a job but it's a long and difficult. . . sort of back and forth process, that involves human growth and development.

*Toby Herr, Project Pathways*

The *white paper* by Thomas Corbett and Rachel Weber argues that preparing parents for employment and helping them secure their first job is just the beginning of the employment process. Only when parents find job stability and are able to advance in their careers is permanent self-sufficiency attained. Job retention and advancement are not afterthoughts; they need to be clear and persistent themes throughout a family's interaction with the W-2 agency.

**Job Preparation** ➡ **Job Entry** ➡ **Job Stability** ➡ **Job Advancement**

The next generation of programs will complete Wisconsin's evolution from a job placement program, through a work-support system, to a coherent workforce strategy. To help parents find stable work and advance in the workforce, the state will have to determine how case management, peer mentoring, crisis intervention, human capital enhancements, and other work supports can be blended into a coherent package of opportunities that will complete the transformation from social assistance as a substitute for work to social assistance as a place to begin a career.

The early success of W-2 in moving low-income family heads into the labor market provides the foundation for the state to strengthen and consolidate its work support initiatives, thus bringing work stability and career advancement into clear and compelling focus as salient purposes of W-2.

### ***Families (and Fathers) Matter***

As a leader in child support enforcement, Wisconsin has long led the nation in child support collections. Recent studies show, however, that children need more than financial assistance from their fathers. The old AFDC system discouraged family stability and

The main thing we did was to define with our community partners—the families we work with, churches, nonprofits, day care providers, employers, and everybody else who had a stake in the kinds of services we provide—what we really wanted to accomplish and to come up with a common vision across the community and across agencies.

*David Berns, El Paso Co., Colorado*

father involvement by making it harder for two-parent families to access services. The next generation of reform will likely bring fathers back into the picture.

Currently over 24 million children across the United States live in homes without fathers; six out of ten African American children live in a father-absent home. With the high rates of poverty in single-parent homes (nearly three-fourths of children in single-parent homes experience poverty before age 11), the *white paper* by Jay Hein argues that the participation of fathers takes on heightened importance. The TANF block grant provides states great flexibility to support policies that encourage two-parent-family formation and reduce unwed births.

To date, Wisconsin's efforts to address these issues are promising but modest. Father and family issues in general are additions to W-2, not integral to it. This *white paper* emphasizes three themes for the next generation of family-oriented reforms: (1) the reinvention of child support; (2) job connections for low-income men; and (3) the promotion of two-parent families. Again, there is a fine balancing act between meeting the needs of low-income men without devaluing marriage or, conversely, promoting two-parent families without stigmatizing children and adults who do not live in such families. Creative reform demands innovative solutions to such conundrums.

### Why Fathers Matter

When fathers are actively involved, children:

- Do better in school.
- Develop better social skills.
- Are less prone to emotional and disciplinary problems.
- Are more likely to become good parents themselves.

Poverty rate for two-parent families is 8.8%; for divorced families, 31.3%; for never-married, 64.1%.

### From Reducing Problems to Preventing Problems

The themes developed in the fifth *white paper* are timeless. There is an often-told story a woman sitting by the riverbank. A baby in a basket floats down the river; she rescues the infant and takes care of it. Then a second floats by and she does the same. But then come a third and fourth, and still more. Eventually, exhausted by her efforts, the rescuer realizes that she just might go upstream to see what can be done at the source of the problem.

The old welfare system was truly immediate and limited in its focus. The only thing that counted was the current month: Did your income fall short of immediate needs? And next month, that was repeated. Future generations of reform should look to the long term, recognizing that single programs or public policies are only a small part of a complex set of challenges.

Poverty, disadvantage, and social exclusion, however they are framed, are not solely the result of a failure by government, or the economy, or society, or the family. At the same time, the problems associated with poverty are the responsibility of all of these actors. And the ultimate success of reform will not be measured by what is accomplished today, but by how well we as a society anticipate and redress the challenges of tomorrow.

### Determining Our Path for the Future

In addressing these challenges, Wisconsin will most likely move further down the road of devolution. Decisions about how to help a depressed mother with a disabled child progress toward self-sufficiency cannot be made in Washington or even in Madison, nor can decisions about how to connect low-income parents in need of jobs with employers in need of workers. These challenges are best addressed by local partners such as employers, W-2 agencies, schools, technical colleges, social service agencies, the faith community, health care providers, low-income families themselves, and others who understand the needs of their own communities.

Yet the devolution path is not an easy one. At the state level it requires a clear vision with well-articulated goals and performance measures. At the same time, the state must provide technical assistance and encourage innovation. At the local level, devolution requires local agencies to reach beyond the old welfare boundaries to the community to develop local solutions to some of the most difficult social questions of our time.

In this era of devolution, Wisconsin needs to tell its story to ensure continued federal support. Innovations in Wisconsin and other states are below the radar screen of national politicians and policymakers, as well as many advocates and researchers. With a definition of caseload restricted to those receiving a cash grant, much of the work local agencies are doing is virtually invisible. Many will look at Wisconsin's 6,500 cash cases and assume that number also describes the agencies' workload. The *white papers* paint a very different story. The cash assistance caseload is only the tip of a very large iceberg.

To educate Congress, Wisconsin needs a new vocabulary. The state needs to redefine the concept of "case" and rearticulate program purposes. These tasks accomplished, the state can accurately measure both effort *and* effect. Without the numbers to show what agencies are doing, critical observers will write off their achievements as merely a few good anecdotes.

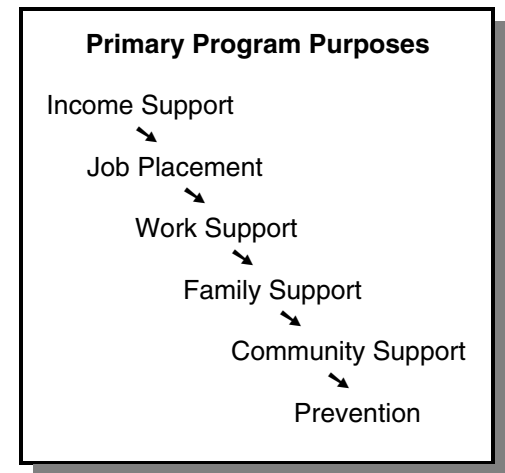
If Wisconsin succeeds as well in the next phase of reform as it did in the first, it will transcend an inadequate safety net that catches families only when they have fallen. Rather, state and local officials will create a new workforce strategy that helps all families in need to reach their fullest potential.

## Conclusion

Welfare reform is an unfolding story. Wisconsin Works was quite successful in taking that first, very difficult step of transforming the primary public assistance program for poor families with children from an income support program to a work support program. And, as described in the full *white papers*, critical steps have already been taken toward achieving the next generation of reforms. Those reforms must encompass a coherent and integrated workforce strategy incorporating work supports and career advancement opportunities. Working in conjunction with that strategy must be interventions that support fully functioning and healthy families, and coordinated community efforts to attack the fundamentals of impoverishment and inequality.

The *white papers* referenced in this overview do not lay out a detailed vision for the next generation of Wisconsin reforms. They suggest the challenges that ought to be addressed and outline interventions to be considered. But real progress toward resolving these challenges will emerge from the work of those grappling with the problems on a daily basis.

We conclude that the state should initiate a planning process involving key stakeholders from all relevant domains of government, and from the nonprofit and for-profit sectors. This process should articulate both a new, longer-term vision for enabling low-income families fully to enter the mainstream of society and a new relationship between state and local governments. The state should be supportive, not prescriptive, should help locals articulate their own visions for the future, should establish reasonable outcomes based on shared goals, should maintain methods for monitoring performance and ensuring accountability, and should facilitate the sharing of technical assistance. We believe these *white papers* contribute to developing this new supportive role.




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This paper was prepared for the Wisconsin Department of Workforce Development (DWD) by researchers from the Hudson Institute and the Institute for Research on Poverty. Hudson Institute is a private, nonprofit, nonpartisan research organization. The Institute for Research on Poverty is a nonprofit, nonpartisan, university-based research center and takes no positions on matters of public policy. The views expressed in this paper are those of the authors and do not necessarily represent official positions of DWD, the Hudson Institute, the Institute for Research on Poverty, or the other *white paper* authors. All errors, factual or otherwise, are attributable to the authors.